

DRAFT Annotated Outline for Update 2013 Finance Plan

FOR USE DURING JUNE 12 FINANCE CAUCUS MEETING ONLY - This is a draft annotated outline for the “State Integrated Water Management Finance Plan” (the Update 2013 Finance Plan). The Update Finance Plan will likely be published as Part 2 of Volume 1; with Part 1 being the Update 2013 Strategic Plan. The headings below shown in blue will appear in the text of the section. The text below each heading is instructional text, to describe the purpose and general idea of each section. It will not necessarily appear in the chapter. Notes related to future stakeholder/committee input are shown in yellow highlighting and brackets. Ties to the storyboard are in red.

1 Purpose and Use

This section will describe the following:

- Many policy-makers and stakeholders have expressed a need for a statewide, comprehensive integrated water management (IWM) finance plan.
- Update 2013’s State Integrated Water Management Finance Plan (Finance Plan) is designed to begin the process of providing such practical decision-support.
- Intended applications of Finance Plan (*e.g. Informing the development of future general obligation (G.O.) bonds; guiding future legislation pertaining to finance planning; recommending funding sources, priorities, and governance; framework for future state financial assistance, etc.*)

2 Introduction

This section will describe the following:

- How California is expected to face significant challenges surrounding IWM financing due to the near full allocation of existing bond funds, protracted recession, deferred investment, etc.
- Consider including various “report cards” such as the ASCE Infrastructure Report Card, etc.
- The Finance Plan is based on the foundational vision developed in the 2009 update of the California Water Plan. It is also a first step in implementing Update 2009 finance recommendations.
- The Update 2009 strategic vision and objectives require significant elaboration and additional specificity in order to develop estimated funding requirements and finance alternatives (to meet specified resource management objectives). *Note: This elaboration will occur, in part, in the State and Regional IWM Activity Templates where linkages will be identified between Water Plan objectives and planned State and regional IWM activities. [STORYBOARD COMPONENT 2]*

- The genesis of the storyboard; which will be described in detail in the *Framework and Content* section of this outline. This section includes highlights of the many Finance Plan components and the flow of information that were devised as a result of extensive collaboration with stakeholders and subject matter experts.
- The broad approach that was employed in developing this plan and how it goes well beyond funding proposals and potential revenue generation.
- The scope of the Finance Plan, in terms of the types of water management benefits associated with IWM, was defined by stakeholders. This section includes how the benefits were used as a screening tool to determine what State and regional actions are within the scope of the plan.
- Include a Box that describes the scope of the Finance Plan. The box should list the specific benefits and their definitions (shown in an appendix) that are identified in the Storyboard **[STORYBOARD COMPONENT 1]**

3 Framework and Content

This section contains a discussion of the following topics:

- IMPORTANT MESSAGE - Emphasis on the value of the storyboard to this and other future IWM finance efforts (*as a useful framework for working through the layers of issues and complexities required to get to IWM funding and finance recommendations*).
- A detailed description of the Finance Plan storyboard.
- An explanation of the storyboard's development.
- An illustration of how the Finance Plan chapter's structure reflects the storyboard.

4 Historical Funding of Resource Management

This section is intended to provide a description of federal, State, and local IWM investments since roughly 1850. Proposed time steps are: *50-year* investment increments from 1850 – 1950; *10-year* increments from 1950 – 2000; *1-year* increments from 2000 – 2012.

This section will describe:

- A stake or role in existing infrastructure, programs, or achievements to use as context in making future recommendations.
- Historical cost-sharing arrangements, how they differ among different types of projects (e.g., water, flood, and ecosystem), and how they will be used as a reference point in recommending future investment and cost-sharing.
- Story – How the occurrence and magnitude of historical investment in the early and mid 1900s supported prosperity and how any current prosperity is largely occurring on the coattails of said investment. This will:
 - Link/lead-in to Section 10.2 (*Cost of Limited or Forgone Investment*)
 - Support a spin-off the story of current (relatively low) and expected (presumably very high) costs of supplying drinking water (might include flood and ecosystem costs)
- Other misc. information/stories
 - Changing context of project authorization; Time and money required to authorize a

- project; consequences of stop/start-up oscillations
 - Deleterious effect of bond freezes
- *Proposed Graphic* - Round 1 Prop 84 IRWM Grant Funded Projects Categorized by RMS Employed.

4.1 Consolidated State Agency IWM Funding Report

[STORYBOARD COMPONENTS 2, 3, 4, 7]

This subsection contains a quantification and synthesis of IWM-related funding, and general description of associated benefits, from the 28 State agencies on the Update 2013 State Agency Steering Committee. The information will be used for:

- Context of State IWM funding from 2000 to 2011.
- A first attempt to characterize cross-agency IWM funding using the categories developed in storyboard component 2 (Categories are innovation, infrastructure, administration, and regulation).
- Trends over time that capture pre- and post-bond fund infusions.
- Degree of annual variability in IWM funding.

This subsection will include the following story:

The Update 2013 Finance Plan provides a unique opportunity for all Water Plan advisory groups to provide findings and recommendations for potential cost savings by efficiency or other improvements to State government operations. As context, the category of “Program Delivery” in the State Agency IWM Funding report shows, in part, the proportion of funding in play relative to the total future funding shown in the *Estimated Cost of Future IWM Activities* section.

5 Criteria for Prioritizing State Government Investment

[STORYBOARD COMPONENT 5]

The primary goal of this section is removal of implementation barriers that occur from a lack of clarity, certainty, and/or consistency in State IWM finance policy and practices. This includes federal and local implementers; where State cost-sharing is occurring. This section will include interpretations, criteria, and priorities for identifying and apportioning State investment in multi-objective solutions. Apportioning and prioritization criteria may occur by topic, resource management strategy type, geographical regions, or other means/basis.

[August – September 2012: Finance Caucus, State Agency Steering Committee, Public Advisory Committee, Tribal Advisory Committee Tasks: Develop and recommend criteria for assessing if, and to what extent, State funding may be recommended for IWM activities for:

- **State-administered activities.**
- **The State’s role in partnerships with federal, tribal, regional, and local entities.]**

This section will elaborate on the Update 2009 recommendations regarding how the State should

effectively lead, assist, and oversee California water resources and flood planning and management activities that: (1) regions cannot accomplish on their own, (2) the State can do more efficiently, (3) involve interregional or interstate issues, or (4) have broad public benefits. More specific criteria must be developed in order to define the State's role in funding IWM activities.

This section will describe the appropriate role of public funding. Sample topics include:

- What are the criteria, conditions, or circumstances that warrant State investment in IWM activities (portions or entire activities)?
- How will those "portions" of State interest be identified? (The California Water Commission's recommended methods for quantifying public benefits associated with water supply projects will inform this section but must be broadened in order to cover all types of IWM actions.)
- For example, circumstances that warrant clarification may include: retrofitting existing infrastructure to enhance ecosystem services or perhaps identifying State interest in environmental benefits from multi-objective actions.

6 Estimated Cost of Future IWM Activities

[STORYBOARD COMPONENT 2, 6]

This section speaks to the following questions:

1. What is the total potential funding requirement to meet the majority of State and regional IWM activities identified in Chapter 5? [August – September 2012: Finance Caucus, Steering Committee, Public and Tribal AC]
 2. How much funding is anticipated to be necessary to meet State and regional IWM objectives through the year 2030? (See the section *Criteria for Prioritizing State Government Investment*, above.) (Consider using a range and lots of caveats.)
- State government IWM activities. (State IWM Activity Template and database plugs in here.)
[This is where State programs, estimated costs, and linkages to Update 2009 objectives will be featured, including any finance plans associated with programs.]
 - Integrated regional water management (IRWM) activities. (IRWMP Activity Template and database plugs in here.)
[This is where a summary of the projects continued in the 48 IRWM Plans will be featured; including estimated costs, benefits, and linkages to Update 2009 objectives.]

7 Summary of Financing Strategies

This section will provide a menu of strategies from which findings and recommendations can be drawn and documented in those respective finance plan sections. It will list and describe existing and potentially new State funding methods/strategies in the context of use for future State IWM finance. The description will include the most appropriate uses, and tradeoffs, of differing finance options with respect to different types of actions (i.e., infrastructure, innovation, etc.).

7.1 Existing Strategies

This is a list of finance methods that have been used in the past or are otherwise currently available for potential future use.

7.2 Potential New Strategies

This is a list of potential new finance strategies, many of which will require new laws, policies and or voter approval in order to be implemented. Each strategy will include a description of its feasibility in terms of implementation requirements and constraints.

8 Findings

This section may feature observations and stakeholder input regarding the following topics:

- General approach to developing a State IWM Finance Plan.
- The context and limitations of the Finance Plan.
- Feedback received from Regional Water Management Groups regarding IRWM Plan template beta test
- Current and expected funding magnitudes and stability.
- Areas of continued disagreement or that require further work. This can include a description of the significance of the areas of disagreement perhaps as a portion of desired outcomes (*e.g. Are 90% of the desired objectives still not being addressed due the issues described here?*)
- Other

[September – October 2012: Finance Caucus, State Agency Steering Committee, Public Advisory Committee, and Tribal Advisory Committee Tasks: Expand this list and help develop descriptions.]

9 Recommendations

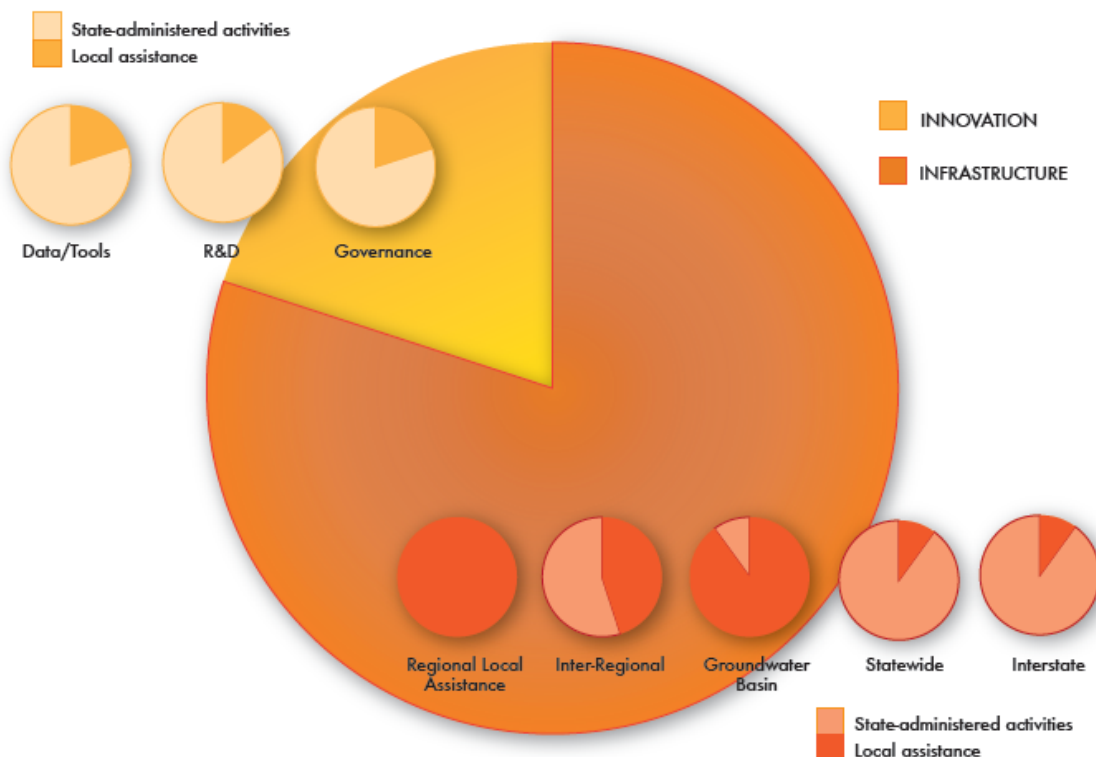
This section includes recommendations, based on preceding data and findings, on the following topics:

- Governance.
- Administration of State funding (State activities and local assistance).
- Assurances that investment produce desired outcomes (reporting on “return on investment”).
- Criteria for prioritizing future State investment.
- Adaptive management (levels and methods for funding adaptive management).
- Opportunities for leveraging or otherwise improving the way the State government plans and implements IWM.
- Future analytical models and frameworks that will help quantify tradeoffs.
- Improved alignment of planning, State policy-making and State regulation
- Other mechanisms associated with funding and implementing the IWM activities/services that are determined to be best administered by the State (under Storyboard Component 5).
- Other

9.1 State Investment **[STORYBOARD COMPONENT 5]**

This section will feature rough magnitudes of potential investment by broad IWM investment categories described in Storyboard Component 2 and by hydrologic region. See sample graphic below.

[September – October 2012: Finance Caucus, State Agency Steering Committee, Public Advisory Committee, Tribal Advisory Committee Tasks: Using the criteria in the section *Criteria for Prioritizing State Government Investment*, identify what categories of activities (and estimate the magnitudes of total costs to the extent possible) the State government should invest in.]



Sample State Investment Graphic – This graphic demonstrates the type, scale, and categories of future funding information. This type of graphic will be developed by Hydrologic Region and for the statewide aggregate. A very high level screening process will occur for planned regional activities to be included in the “Total State Investment”. The potential screening logic/criteria will be some combination of: (1) a rough nexus with State IWM objectives, (2) nexus with IWM benefits shown in the *Introduction* section of the Finance Plan, geographical scale of benefits (e.g. statewide, local, etc); and/or (3) by resource management strategy (RMS) category. These screening criteria will be developed and published in section 5 of the Finance Plan *Criteria for Prioritizing State Investment*.

9.2 Finance Strategy **[STORYBOARD COMPONENT 7]**

This section is about how to finance recommendations described in the *State Investment* Section above.

[October - November 2012: Finance Caucus, State Agency Steering Committee, Public Advisory Committee, Tribal Advisory Committee Tasks: Drawing from the *Summary of Financing Strategies*

section, develop recommendations for how costs will be distributed (and through what mechanisms). Funding and finance recommendations published in the Update 2009 Resource Management Strategies will be compiled for consideration by Water Plan advisory groups.

10 Expected Tradeoffs of Recommendations

[STORYBOARD COMPONENT 8]

10.1 Qualification of Recommendations

This subsection includes a qualitative description of tradeoffs associated with each recommendation. It will clarify the rationale and potential risks or undesirable effects associated with the findings and recommendations. Whether referring to specific actions or high-level policies, whenever one path is chosen, the benefits of alternative paths are forsaken. For example, if a finance strategy involves borrowing (i.e. accruing interest), it is very useful to be aware of the “cost” of not using a pay-as-you-go approach. These types of trade-offs will be described here.

10.2 Cost of Limited or Forgone Investment

[September – October 2012: Finance Caucus, State Agency Steering Committee, Public Advisory Committee, Tribal Advisory Committee Tasks: Develop (presumably mostly qualitative) descriptions of the consequences of a plausible “forgone investment” future.]

This subsection includes a description of the implications of very limited investment in IWM (e.g. that basically may not even begin to implement activities that are considered critical or high-priority). Implications or resulting conditions can be expressed in terms of environmental, economic, and social effects of deferred implementation; forgone opportunities or benefits; and other unfavorable consequences.

11 References

This section contains the list of end references supporting the narrative. Use the subheadings below and see the guidance on in-text citations and end references within California Water Plan Update 2013 Publications Process and Style Guide. Also available is a tool called “Click-and-Type References.”

Considerations:

- Document sources of chapter text.
- Link to documentation of data sources for portfolios.
- Link to other water management plans and elements.

11.1 References Cited

11.2 Additional References

11.3 Personal Communications